



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

TE/GE: EO Examinations

625 Fulton Street, Room 503

Brooklyn, NY 11201

501-03.00

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

December 12, 2012

Release Number: 201335025

Release Date: 8/30/2013

Taxpayer Identification Number:

Person to Contact:

Identification Number:

Contact Telephone Number:

LEGEND

ORG - Organization name

XX - Date Address - address

**ORG
ADDRESS**

CERTIFIED MAIL

Dear :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated January 8, 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reason(s):

As a result of our examination for the tax year ended December 31, 20XX, it was determined that your organization has been inactive since 20XX and that there have been no operations or regular financial activities conducted or planned. As such, you failed to meet the operational requirements for continued exemption under IRC 501(c)(3).

Contributions to your organization are no longer deductible under IRC §170 after January 1, 20XX.

You are required to file income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the tax year ending December 31, 20XX and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to these courts at the following addresses:

You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosure:
Publication 892

Internal Revenue Service
Tax Exempt and Government Entities Division
Exempt Organizations: Examinations
12301 Research Blvd
STE 4-180, MS: 4949 AUNW
Austin, TX 78759

Department of the Treasury

Date: August 16, 2012

Taxpayer Identification Number:
Form:
Tax Year(s) Ended:
Person to Contact/ID Number:
Contact Numbers:
Telephone:
Fax:

ORG
ADDRESS

Certified Mail – Return Receipt Requested

Dear _____ :

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final

revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M Downing
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

Form 886A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer	Tax Identification Number	Year/Period Ended
ORG	EIN	December 31, 20XX

LEGEND

ORG - ORGANIZATION NAME XX - DATE EIN - EIN STATE - STATE

ISSUES

1. Whether revocation of the organization's tax-exempt status, under IRC section 501(c)(3), is necessary because of inactivity.

FACTS

ORG, . (hereinafter referred to as the organization) received recognition of exemption from the IRS as an organization described in Internal Revenue Code (IRC) section 501(c)(3) in January, 20XX. According to the organizations articles of incorporation, "the Corporation is organized exclusively for the purpose of providing services and programs designed to assist children and families, specifically identified as 'foster children' and 'foster families' primarily during the transitional stages of foster care placement and while transitioning toward independent self-sufficiency in the community. Specific programs and services will relate to the provision of necessities such as clothing and personal hygiene products, educational and recreational supplies and activities, as well as the establishment of scholarships, employment readiness training and job placement programs."

During the examination of the Form 990 for the years ending December 31, 20XX and 20XX, it was determined that the organization stopped all activities in the 20XX year. According to a letter received on June 4, 20XX "the organization decided to dissolve in 20XX do to the lack of participation of officers. The organization had no assets and the banking fees depleted the organization's account", see attachment A.

During the examination, the organization filed a final Form 990 for the year ending December 31, 20XX to indicate that the organization had terminated and had zero income and zero expenses in the 20XX year. We have not received a certified copy of the articles of dissolution to show that the organization has filed with the State of State. The State State's Department of State Division of Corporations Entity Information database indicates that the organization is still active, see attachment B.

LAW

Section 501(c)(3) of the Internal Revenue Code (IRC) exempts from Federal income tax: corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation and which does not

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ORG	EIN	December 31, 20XX

participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

Treasury Regulations section 1.501(c)(3)-1(a)(1) provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Treasury Regulation section 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than insubstantial part of its activities is not in furtherance of an exempt purpose.

Revenue Ruling 61-170, 1961-2 CB 112 ruled that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

TAXPAYER'S POSITION

The taxpayer has stated that the organization has had no operational activities since 20XX.

GOVERNMENT'S POSITION

As a result of our examination of your activities and financial records for the year ending December 31, 20XX it was determined that your organization has been inactive for several years and that there have been no operations or financial activities conducted. As such, ORG, ., fails to meet the operational requirements for continued exemption under IRC section 501(c)(3). The Operational Test, Treas. Reg. Section 1.501(c)(3)-1(c), is specifically related to an organization's activities. Even if an organization passes the organizational test by having adequate language regarding their charitable activities, the organization must also meet the operational test to qualify for exemption under IRC section 501(c)(3).

We are proposing revocation of the organization's exempt status, because the organization decided to dissolve in 20XX due to the lack of participation of officers and the organization has not filed the articles of dissolution with the state that the organization was incorporated in.

If you provide a certified copy of the articles of dissolution to show that the organization has filed with the State of State within 30-day, we will follow through with a termination of the organization.

Form 886A (Rev. January 1994)	EXPLANATION OF ITEMS	Schedule No. or Exhibit
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ORG	EIN	December 31, 20XX

CONCLUSION

We are proposing revocation of the of the determination of the exempt status, under IRC 501(c)(3), of the ORG, , with a revocation date effective January 1, 20XX.

If you agree to the proposed revocation, please sign form 6018, and mail back to the person listed in the attached letter, with in 30 days of receipt of this letter. If you do not agree to the proposed revocation please refer to the letter and attached publications for the appeals process, or contact the person listed in the letter.

We will not be pursuing delinquent Form 1120 returns for the tax period ending December 31, 20XX, because the amount of income for the year was de minimis.